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Rewald Is Held on 100 Counts

Calls Isle Legal Action 'Silly Stuff,' Awaits Rescue from Congress Allies

By Charles Memminger
Star-Bulletin Writer

When told that a federal grand jury might be preparing to indict him this week, Ronald R. Rewald said he was not concerned with the "silly stuff" happening in Honolulu.

Rewald, in characteristic fashion, said that his allies in Congress would come to his aid if and when he was indicted.

"I'm prepared to blow the lid off this whole thing," Rewald said in a telephone interview Tuesday.

Today, Rewald is in the custody of U.S. marshals after FBI agents arrested him in Los Angeles yesterday.

The arrest came after the grand jury here returned a 100-count indictment charging the former Hawaii businessman with mail fraud, securities fraud, perjury, failing to keep records, income tax evasion, interstate transportation of stolen securities money and other federal violations.

SOME OF THE perjury charges are the result of sworn statements Rewald made in which he said the CIA was responsible for setting up his company Bishop, Baldwin, Rewald, Dillingham & Wong.

During the past few months, as the U.S. attorney's office was working to build its case and presenting it to the grand jury, Rewald was on the Mainland, drumming up support for his contention that the CIA set up Bishop, Baldwin as a front and used it to funnel money to foreign projects.

Rewald said he had been successful, that if he were indicted, his supporters, including some in Congress he would not name, as well as former FBI agents, would come to his defense.

In the interview, Rewald said he was living in Los Angeles, working for a "communications" company he would not identify.

Told that he might be indicted this week, Rewald said he had been hearing about impending indictments continually since February and that such talk did not surprise him anymore. In fact, he said, he was looking forward to Monday when his family would be together for the first time since his company collapsed more than a year ago.

REWALD CHARGED that U.S. Judge Martin Pence has been pressuring the government to return an indictment against him.

"He's been the judge, jury and executioner," he said.

At 1:55 p.m. Hawaii time yesterday, FBI agents, armed with a warrant signed by Pence, arrested Rewald at his residence at 647 South June St. in Los Angeles.

Rewald is being held in lieu of \$50,000 bail pending a removal hearing today in Los Angeles. If Rewald does not fight extradition, he will be returned to Hawaii as soon as possible to be arraigned, according to John Peyton, assistant U.S. attorney who has been heading the Rewald investigation.

The grand jury returned the massive indictment against Rewald at 1:30 p.m. yesterday, bringing a range of charges against the 41-year-old former investment counselor.

There were few surprises in the indictment. Basically, it formally charges Rewald with offenses that have been alleged by bankruptcy officials and other investigators familiar with Rewald's operation.

IN ESSENCE, the indictment charges that Bishop, Baldwin, Rewald, Dillingham & Wong was nothing more than a shell company Rewald used to bilk \$22 million from about 400 investors.

The indictment specifically charges that Rewald:

- ✓ Lied when he swore under oath that the CIA had directed the founding of Bishop, Baldwin.
- ✓ Lied when he said the CIA provided him with fake diplomas from Marquette University and that the CIA directed him to misrepresent that Bishop, Baldwin investments were insured by the Federal Deposit Insurance Corp.
- ✓ Spent \$5.5 million of investors money for his personal benefit, including \$270,000 for "social and sexual intercourse with women," \$256,000 in connection with polo, \$264,000 for horses, \$719,000 for residences, \$784,000 for ranches, and \$467,000 for cars.
- ✓ Convinced investors "especially those who were retired or suffering from illnesses or personal tragedy" that they could trust him to handle their financial and legal affairs.
- ✓ Owes more than \$600,000 in income taxes.

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✓ Used the U.S. mail to send out false information about the company in an effort to attract investors.

✓ Illegally transported more than \$300,000 between Hawaii and the Mainland.

✓ Failed to keep adequate records in accordance with Securities and Exchange Commission rules.

✓ Lied to an IRS investigator during an official inquiry.

As part of his scheme to defraud investors, Rewald allegedly failed to tell investors that:

✓ He had pleaded guilty to a theft charge involving a Wisconsin franchise in 1976.

✓ He was bankrupt in Wisconsin in 1976.

✓ Investors money primarily was used to pay office expenses and for his personal benefit.

✓ Only about \$600,000 of \$22 million actually was invested.

✓ No kamaaina families by names of Bishop, Baldwin or Dillingham were associated with the company.

✓ Despite claims that there was a waiting list for clients, "virtually no person wishing to invest" was refused.

For the first time, information Rewald included in his sealed affidavits was made public, in the indictment, particularly his description of how the CIA allegedly set up Bishop, Baldwin. Those statements are the basis of some of the perjury charges.

ACCORDING TO THE indictment, Rewald lied when he said: "Toward the end of 1978, (CIA Bureau Chief Eugene) Welch suggested that (Bishop, Baldwin president) Sunny Wong and I establish a second firm which would specialize in the Far East and in doing so use names as part of the firm which were synonymous with Hawaii." Some of the names they considered, before settling on Bishop, Baldwin and Dillingham, were Castle, Cooke, and Cassidy.

Rewald also said in his affidavit that Welch told him to claim that the company had a lengthy history and that its gross sales were more than \$1 million. He said Welch told him the CIA would provide him with fake Marquette University degrees.

The indictment charges that all of that and other statements concerning the CIA are false.

U.S. Attorney Dan Bent praised the work of assistant U.S. Attorneys Peyton, Ted Greenberg, David L. Katz and Jeffrey Stenness, the FBI and IRS for their "extraordinary efforts" in connection with "this extremely complex and time-consuming investigation."

HE SAID THE 13-month long investigation required interviewing hundreds of witnesses and examining hundreds of thousands of financial records.

Rewald's local civil attorney, Robert Smith, had no comment about the indictment.

Thomas Hayes, administrator of Rewald's bankrupt company, said he had been told by his lawyers not to comment on the indictment.

The indictment caps more than a year of intrigue that began when Rewald tried to kill himself on July 29, 1983.

The suicide attempt came after inquiries were made about the background of the mysterious investment company.

After that, a number of company lawyers and consultants quickly resigned and disassociated themselves from Rewald.

Even Wong, company president and 50 per cent stockholder, resigned. He later pleaded guilty to mail and securities fraud and apparently has been aiding in the government investigation of Rewald.

SHORTLY AFTER the suicide attempt, a group of investors forced the company into bankruptcy. Within hours, the bankruptcy trustee discovered that the company had conducted virtually no investment business and that millions of dollars were missing.

While some investors have continued to press their claims and hold Rewald responsible for

their losses, others have joined Rewald in suing the CIA. Those investors believe that the CIA is responsible for the company and therefore their money.

Rewald also has won support from some of the national news media which focused on his claims that the company was a CIA front. Rewald has been depicted in a British Broadcasting Corp. documentary as a "spy left out in the cold."

Intelligence committees for both the U.S. House and Senate have investigated the CIA links and found no significant ties. The CIA has acknowledged that it used Bishop, Baldwin as a contact point for agents and as a mail drop.

Rewald claims that several agents used Bishop, Baldwin for a cover and that the company was running up to six covert projects.

REWALD ALSO has claimed that he stole secret plans for a Japanese high-speed train for the CIA and was involved in a secret \$10 million arms deal with Taiwan.